



Peterson  
Allred  
Jackson

**BEAR RIVER MENTAL  
HEALTH SERVICES, INC**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2007**

▪ Certified Public Accountants  
Business Consultants

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## **INTRODUCTORY SECTION**



September 21, 2007

Utah State Auditor  
211 State Capitol  
Salt Lake City, Utah 84114

To Whom It May Concern:

The financial statement report of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), for the fiscal year ended June 30, 2007, is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Center. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Center. All disclosures necessary to enable the reader to gain an understanding of the Center's financial activities have been included.

The financial report is presented in three sections: introductory, financial, and supplemental. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes the auditor's report and the 2006-2007 financial statements. The supplemental section includes a comparative detail statement, the auditor's reports in accordance with government auditing standards, and the State of Utah auditor's report on legal compliance.

The Center contracts with the State of Utah which dictates that programs be considered for compliance with the requirements governing types of services. Management of the Center is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Center are protected from loss, theft, or misuse; and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and county financial assistance, the Center also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management. As demonstrated by the statements and schedules included in the financial section of this report, the Center continues to meet its responsibility for sound financial management.

The preparation of the financial statements and supplemental information was made possible by the dedicated service of the Bear River Staff who assisted with the audit process. Additionally, the excellent work accomplished by the staff from the firm of Peterson Allred Jackson made this an extremely useful review and summary for management purposes.

Due credit also should be given to the governing board of the Center for their interest and support in planning and conducting the operations in a responsible and progressive manner.

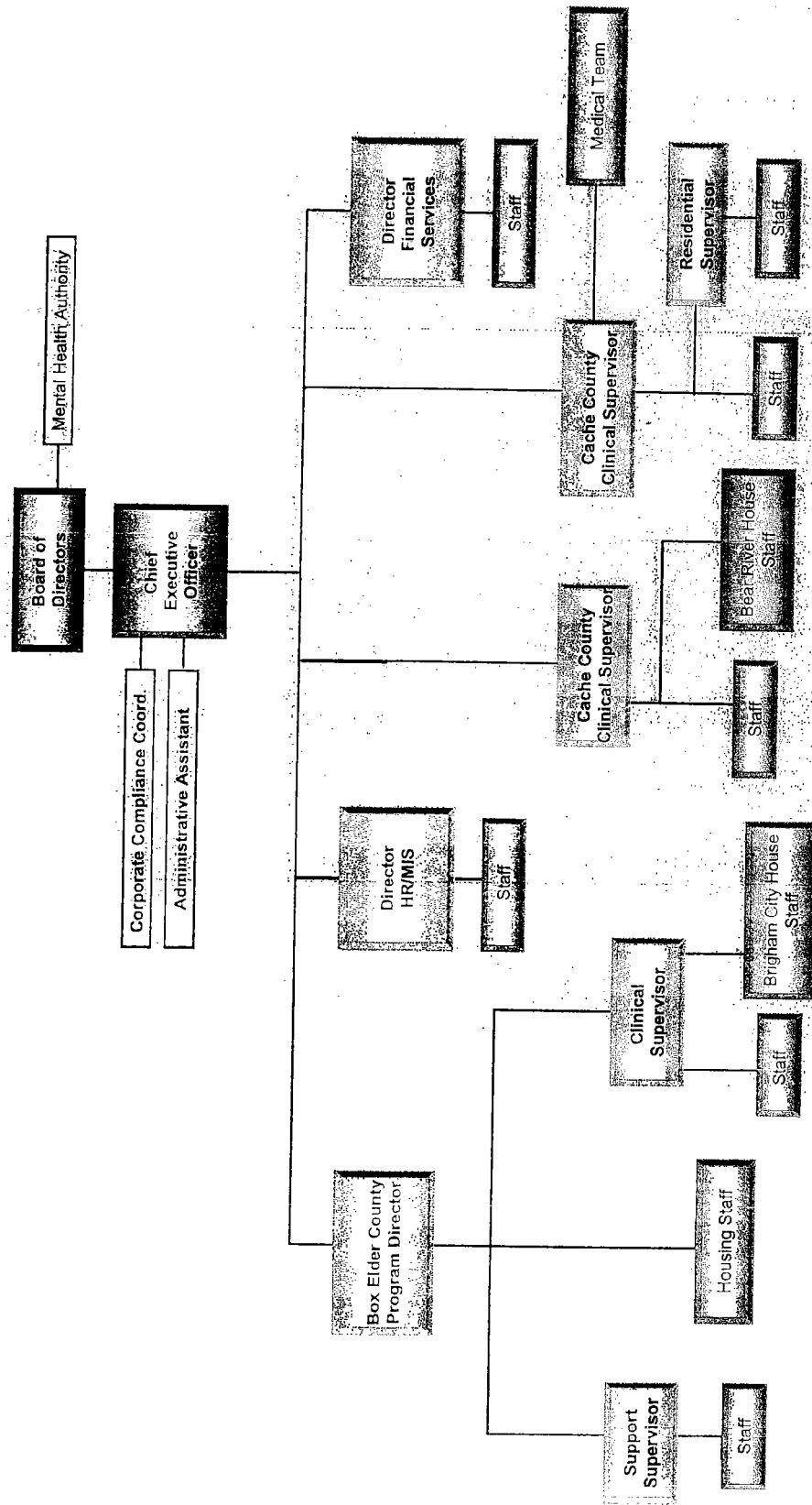
Respectfully submitted,

A handwritten signature in cursive script, reading "C. Reed Ernstrom".

C. Reed Ernstrom  
President/CEO

# Bear River Mental Health - Organizational Chart

effective 6/30/07



7/3/2007

**Bear River Mental Health Services, Inc.**  
**List of Principal Officials**  
**June 30, 2007**

**Executive Committee:**

President/CEO  
Director of HR/MIS  
Director of Financial Services  
Box Elder County Program Director

C. Reed Ernstrom  
Beth A. Smith  
Robert B. Johnson  
Tim Frost

**Board of Directors:**

Chair  
Vice Chairman  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member

Steve Stowers  
Scott Wyatt  
Steve Vincent  
Mike Miller  
Lynn Lemon  
Clark Davis  
William Cox  
Rhonda Menlove  
Bob Cash  
Kirk Allen

**FINANCIAL SECTION**



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Jackson

▪ Certified Public Accountants  
Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Bear River Mental Health Services, Inc.

We have audited the accompanying statement of financial position of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bear River Mental Health Services, Inc. as of June 30, 2007, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2007, on our consideration of Bear River Mental Health Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying detail statement of activities listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peterson Allred Jackson

September 21, 2007

• 2100 North Main, North Logan, Utah 84341  
435-752-6441  
FAX: 752-6451

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**BEAR RIVER MENTAL HEALTH SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2007**

	June 30, 2007	Memorandum Only June 30, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,169,726	\$ 5,332,607
Accounts receivable	1,449,846	2,045,836
Prepaid expenses and other assets	157,647	156,984
Total current assets	<u>6,777,219</u>	<u>7,535,427</u>
Fixed assets:		
Land, buildings, and equipment	5,286,600	5,284,311
Accumulated depreciation	(2,406,211)	(2,244,522)
Total fixed assets	<u>2,880,389</u>	<u>3,039,789</u>
 TOTAL ASSETS	 <u>\$ 9,657,608</u>	 <u>\$ 10,575,216</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 909,024	\$ 1,756,963
Accrued liabilities	367,635	356,163
Unexpended county funds	134,743	115,052
Medicaid match payable	942,727	1,216,545
Other current liabilities	1,312	1,370
Total current liabilities	<u>2,355,441</u>	<u>3,446,093</u>
Long-term liabilities:		
Mortgage payable	309,935	309,935
Total liabilities	<u>2,665,376</u>	<u>3,756,028</u>
Net assets:		
Unrestricted	6,992,232	6,819,188
Total net assets	<u>6,992,232</u>	<u>6,819,188</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 9,657,608</u>	 <u>\$ 10,575,216</u>

The independent auditor's report and notes to the financial statements are integral parts of these financial statements.

**BEAR RIVER HEALTH SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	June 30, 2007	Memorandum Only June 30, 2006
Government support and revenues:		
Government support:		
Federal	\$ 144,500	\$ 145,200
State	1,497,388	1,561,120
County	260,560	256,560
Private support:		
Donations	26	28
Total support	<u>1,902,474</u>	<u>1,962,908</u>
Revenues:		
Medicaid (net)	3,821,026	3,523,018
Service fees	536,665	580,574
Interest income	270,161	206,474
Client living fees	44,668	55,846
Miscellaneous income	<u>8,198</u>	<u>11,105</u>
Total revenue	<u>4,680,718</u>	<u>4,377,017</u>
TOTAL GOVERNMENT SUPPORT AND REVENUES	<u>6,583,192</u>	<u>6,339,925</u>
Expenses:		
Administration	1,046,121	1,045,884
Out patient	4,047,631	3,490,521
Adult intensive	<u>1,317,897</u>	<u>1,437,305</u>
TOTAL EXPENSES	6,411,649	5,973,710
Other revenue & expenses		
Loss (gain) on sale of assets	<u>(1,501)</u>	<u>-</u>
TOTAL EXPENSES & OTHER REVENUE/EXPENSES	<u>6,410,148</u>	<u>5,973,710</u>
Changes in unrestricted net assets	173,044	366,215
Net assets at beginning of year	<u>6,819,188</u>	<u>6,452,973</u>
Net assets at end of year	<u>\$ 6,992,232</u>	<u>\$ 6,819,188</u>

The independent auditor's report and notes to the financial statements are integral parts of these financial statements.

BEAR RIVER MENTAL HEALTH SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Administration</u>	<u>Out Patient</u>	<u>Adult Intensive</u>
Personnel	\$ 886,789	\$ 3,457,492	\$ 643,488
Travel/auto	18,068	57,737	22,474
Office maintenance	6,763	38,263	20,486
Occupancy	23,231	173,853	173,057
Professional	14,498	86,533	314,164
Staff support	55,372	41,087	8,348
Data processing	15,689	53,437	8,768
Program activities	-	9,396	67,176
Depreciation	14,650	115,670	57,186
Other	<u>11,061</u>	<u>14,163</u>	<u>2,750</u>
 TOTAL EXPENSES	 <u>\$ 1,046,121</u>	 <u>\$ 4,047,631</u>	 <u>\$ 1,317,897</u>

The independent auditor's report and accompanying notes are integral parts of these financial statements

<u>June 30, 2007</u>	Memorandum only <u>June 30, 2006</u>
\$ 4,987,769	\$ 4,473,975
98,279	106,026
65,512	50,854
370,141	340,747
415,195	471,436
104,807	98,925
77,894	159,916
76,572	58,235
187,506	193,092
<u>27,974</u>	<u>20,504</u>
<u><u>\$ 6,411,649</u></u>	<u><u>\$ 5,973,710</u></u>

**BEAR RIVER MENTAL HEALTH SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	June 30, 2007	Memorandum Only June 30, 2006
Cash flows from operating activities:		
Change in net assets	\$ 173,044	\$ 366,215
Add (deduct) items not affecting cash:		
Depreciation	187,506	193,092
(Increase) decrease in receivables	595,990	(750,762)
(Increase) decrease in prepaid and other assets	(663)	(4,038)
Increase (decrease) in payables	(847,939)	1,076,121
Increase (decrease) in accrued liabilities	11,414	36,040
Increase (decrease) in unexpended county funds	19,691	18,376
Increase (decrease) in Medicaid match payable	(273,818)	425,694
Net cash provided by operating activities	(134,775)	1,360,738
Cash flows from investing activities:		
Purchase of land, building, CIP, and equipment	(28,106)	-
Net cash provided (used) by investing activities	(28,106)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(162,881)	1,360,738
Cash and cash equivalents at beginning of year	5,332,607	3,971,869
Cash and cash equivalents at end of year	\$ 5,169,726	\$ 5,332,607
Supplemental Disclosures:		
Cash paid for interest	\$ 0	\$ 0

The independent auditor's report and accompanying notes are integral parts of these financial statements.



**BEAR RIVER MENTAL HEALTH SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**Note 1: Summary of significant accounting policies**

**Business activity.** Bear River Mental Health Services, Inc., (the Center), is a non-profit organization whose purpose is to provide mental health services to residents of Cache, Rich, and Box Elder Counties. The Center was incorporated as a nonprofit organization on January 1, 1984. Prior to incorporation, mental health services were performed through a tri-county governmental association. The Center receives funding for its programs from various federal, state, and local sources. In addition, the Center receives Medicaid reimbursement for eligible patients on a capitation basis. The Center has facilities in Logan, Brigham City, and Tremonton, Utah with a satellite office in Randolph.

The Center is an exempt organization for federal income tax purposes under Section 501(c)(3) of the internal revenue code and has been classified as other than a private foundation.

**Program objectives:** The Center provides comprehensive mental health services to clients including: psycho-social rehabilitation, residential services, inpatient services, individual therapy, group therapy, psychological testing, medication management, etc. These services are provided for individuals who are eligible for Utah State Medicaid, the portion of the population that meets the State of Utah's definition for seriously and persistently mentally ill adults or seriously emotionally disturbed children and adolescents, or those individuals in psychiatric crisis or in need of inpatient hospitalization.

**Basis of accounting:** Bear River Mental Health Services, Inc. utilizes the accrual basis of accounting.

**Service fee revenue**

Revenues earned from service fees provided under third-party reimbursement and private pay arrangements are recognized on a cash basis due to the uncertainty of the timing and amount of collection. As this treatment has an immaterial affect on the financial statements, and due to the uncertainty of collection, which is not susceptible to reasonable estimation by management, the Center's treatment is deemed to conform with generally accepted accounting principles.

### Fixed assets

Fixed assets are stated at historical cost. All capital items greater than \$5,000 are classified as capitalized assets. Donated fixed assets are valued at their estimated fair market value on the date donated. A physical inventory of fixed assets was taken at June 30, 2002 and adjustments made to the books to reflect the results. Estimated costs were used when actual costs were not available. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	25 years
Furniture and fixtures	5-10 years
Equipment	3-10 years
Automobiles	5 years

### Deposits

Bear River Mental Health Services, Inc. collects refundable deposits for certain monthly living accommodations provided to eligible patients. This liability represents amounts received and held as of June 30, 2007.

### Accrued compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available resources and paid upon termination has been accrued. Also included is the post retirement benefit for unused sick leave that is expected to be paid for health insurance premiums after retirement.

### Statement of Cash Flows

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### Income taxes

The Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Center has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for fiscal year 2007.

## **Note 2: Cash and cash equivalents**

### **Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Center's deposits may not be recovered. The Center follows the Utah Money Management Act. The Act requires all deposits of the entity to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2007, \$77,122 of the Center's bank balances of \$77,122 was covered by federal depository insurance (FDIC).

### **Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Center's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The Center is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2007, the Center had investments of \$5,131,815 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Center manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Note 3: Accounts receivable**

Accounts receivable represent grants and contracted support from federal, state, and local governments due to the Center at June 30, 2007, for fiscal year 2007 contracts as follows:

Grants:	
Federal	\$ 88,458
State	961,478
Counties:	
Cache	188,500
Rich	5,000
Box Elder	<u>86,750</u>
Total grants	<u>1,330,186</u>
Other:	
Title XIX	108,157
Sales tax	1,119
Miscellaneous	<u>10,384</u>
Total other	<u>119,660</u>
Total accounts receivable	<u>\$ 1,449,846</u>

The Title XIX premiums receivable is offset by a 29.86% match of funds, which is required to be reimbursed to Medicaid, and included in Medicaid Match Payable.

#### Note 4: Other assets

Bear River Mental Health Services, Inc. joined an association to provide liability insurance coverage in 1984. The association required that stock be purchased in a corporation by all mental health centers participating in the insurance plan. Forty shares of class "C" common stock were issued to the Center on January 12, 1988, in consideration of \$20,000 paid as a deposit in 1984. The market value of this investment is not available due to the nature of the corporation.

The Center has liability insurance, which has been prepaid totaling \$39,496. This amount will continue to be allocated to expense. Prepaid rent and other miscellaneous prepaids of \$1,800 were recorded as of June 30, 2007.

The Center entered into an agreement with Utah Non-Profit Housing Corporation to own 1/2% of Bear River Valley Mental Health, LLC. The Center donated land with a historical cost of \$96,351 to the LLC for the ownership interest.

#### Note 5: Fixed assets

Fixed asset activity for the year ended June 30, 2007, is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Land	\$ 457,429	\$	\$	\$ 457,429
Buildings	4,473,944			4,473,944
Equipment and furnishings	<u>352,938</u>	<u>28,106</u>	<u>(25,817)</u>	<u>355,227</u>
Total assets	5,284,311	28,106	(25,817)	5,286,600
Accumulated depreciation	<u>(2,244,522)</u>	<u>(187,506)</u>	<u>25,817</u>	<u>(2,406,211)</u>
Total net assets	<u>\$ 3,039,789</u>	<u>\$ (159,400)</u>	<u>\$</u>	<u>\$ 2,880,389</u>

**Note 6: Accounts payable/accrued liabilities**

Accounts payable and accrued liabilities consist of amounts incurred and due at June 30, 2007, which have not yet been paid as follows:

Accounts payable:

Salaries payable	\$ 275,860
Tax withholdings payable	114,439
Account payable	<u>518,725</u>

Total accounts payable	<u>909,024</u>
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Accrued compensated absences	<u>367,635</u>
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Total accrued liabilities	<u>367,635</u>
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Total accounts payable/accrued liabilities	<u>\$1,276,659</u>
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**Note 7: Unrestricted/net assets**

The Board of Directors has appropriated an amount to be set aside for normal operations of the Center. The operating appropriation has been calculated at 120 days of expenditures, based on 2006-2007 fiscal year expenses.

Net investment in fixed assets represents the amount of assets held at year-end. The fixed asset appropriation has been appropriated for the future acquisition of fixed assets.

Operating appropriation	\$ 2,107,939
Net investment in fixed assets	2,880,388
Fixed asset appropriation	<u>2,003,905</u>

Total unrestricted net assets	<u>\$ 6,992,232</u>
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**Note 8: Defined benefit pension plan**

Plan Description. Bear River Mental Health Services, Inc. (the Center) contributes to the Local Governmental Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, and death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49), as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** In the Local Governmental Noncontributory Retirement System the Center is required to contribute 11.59% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The Center's contributions to the Noncontributory Retirement System for June 30, 2007, 2006, and 2005 were \$342,243, \$283,459, and \$279,261, respectively. The contributions were equal to the required contributions for each year.

**Note 9: Defined contribution plan (or 401(k) plan)**

The Center provides supplemental pension benefits for all of its full-time employees through a defined contribution Section 401(k) plan. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Board of Directors authorizes the Center to contribute 13.5% of the employee's base salary into the plan, reduced by amounts paid to the noncontributory system. Employee contributions are optional within prescribed limits. The Center's contributions for each employee (and interest allocated to the employee's account) are fully vested upon deposit into the plan. The Center made contributions totaling \$111,559. Employees made \$94,372 in optional contributions.

**Note 10: 457 Plan and Roth IRA**

The Center also offers its employees deferred compensation plans created in accordance with Internal Revenue Service Code. The plans, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$35,004 and the Roth IRA plan totaled \$10,181 and the Center contributed \$0 to both plans.

**Note 11: Postretirement benefits**

Bear River Mental Health, Inc. provides a postretirement benefit election calculated from an employee's earned but unused sick leave accrual at retirement from employment after a minimum of 10 years service. The amount contributes to health insurance (or Medicare supplements at age 65) over the remaining life of the employee. At the balance sheet date the Center is obligated for \$11,701. This amount is classified as accrued liabilities.

### **Note 12: Cafeteria plan**

Bear River Mental Health Services, Inc. has set up a cafeteria plan to enable employees to have amounts excluded from their income under section 125(a) and other applicable sections of the Internal Revenue Service code of 1986, as amended. The plan is to provide contributions from the employees to cover benefits paid. The plan is administered by an independent agency, with assets maintained in separate bank accounts.

### **Note 13: Leases**

The Center leases office space in Tremonton. The Tremonton lease is classified as an operating lease terminating May 1, 2009.

The future minimum lease payments for the next two fiscal years are as follows:

June 30, 2008	\$ 30,600
June 30, 2009	<u>25,500</u>
 TOTAL	 <u>\$ 56,100</u>

Rent expense for the fiscal year 2006-2007 was \$33,300.

### **Note 14: Mortgage payable**

The Center purchased a building in Brigham City to use in their mental health services. This purchase was made with loan proceeds available from the Department of Housing and Urban Development (HUD) through the State of Utah Housing Trust Fund. Repayment of the loan is to be made through a cash flow mortgage at 0% interest. Payments are required quarterly based on 80% of the net cash revenue generated by the facility. The amount due at June 30, 2007 was \$309,935, which was for the purchase and renovation of the building. The entire note has been listed as long-term because net cash revenues from the facility cannot be projected. There is no deadline for repayment of the note.

### **Note 15: Memorandum totals**

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Certain classifications have occurred in the prior year to better reflect current year activities. Neither are such data comparable to consolidation.



**SUPPLEMENTAL SECTION**

BEAR RIVER MENTAL HEALTH SERVICES, INC.  
 DETAIL STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2007 AND 2006

	MEMORANDUM TOTALS ONLY	
	June 30, 2007	June 30, 2006
Revenues:		
State operating grant	\$ 1,098,000	\$ 1,081,200
State children's grant	204,800	201,600
County match	260,560	256,560
Federal block grant	134,500	135,200
Data processing improvement	10,000	10,000
Residential service	93,671	71,715
Community outplacement grant	-	45,420
ACOT	-	8,858
Children center grant	7,567	-
PASRR	32,960	34,230
State Medicaid replacement	59,050	118,097
<b>TOTAL GRANTS</b>	<b>1,901,108</b>	<b>1,962,880</b>
Juvenile court	1,340	-
Title XIX- Medicaid (net)	3,821,026	3,523,018
<b>TOTAL CONTRACT FEES</b>	<b>3,822,366</b>	<b>3,523,018</b>
Personal payment	130,010	119,130
Debt recovery	10,433	8,336
Insurance	195,713	197,805
Medicare	140,981	161,492
<b>TOTAL CLIENT FEES</b>	<b>477,137</b>	<b>486,763</b>
Consulting fees	27,458	55,933
Donations	26	28
Interest income	270,161	206,474
Miscellaneous	466	480
Semi-independent living fees	34,563	40,424
24-hour supervised living fees	10,105	15,422
DT Lunch Program	7,732	10,625
Rainbow club/New Discovery	32,070	37,878
Gain on sale of assets	1,501	-
<b>TOTAL OTHER REVENUES</b>	<b>384,082</b>	<b>367,264</b>
<b>TOTAL REVENUES</b>	<b>6,584,693</b>	<b>6,339,925</b>

Expenses:

Salaries	3,577,581	3,195,131
Employee benefits	1,409,439	1,260,792
<b>TOTAL PERSONNEL</b>	<b>4,987,020</b>	<b>4,455,923</b>
Travel- in state	60,547	59,802
Travel- out state	4,592	13,972
<b>TOTAL TRAVEL</b>	<b>65,139</b>	<b>73,774</b>
Office supplies	42,490	28,137
Postage	8,241	10,338
Printing and publications	11,861	8,892
Maintenance	2,920	3,487
<b>TOTAL OFFICE MAINTENANCE</b>	<b>65,512</b>	<b>50,854</b>
Rent	33,300	33,550
Utilities	90,299	95,804
Telephone	45,312	50,094
Insurance	32,087	32,672
Janitorial	44,695	44,849
Maintenance	124,448	83,778
<b>TOTAL OCCUPANCY</b>	<b>370,141</b>	<b>340,747</b>
Contract services	415,944	489,488
<b>TOTAL PROFESSIONAL SERVICES</b>	<b>415,944</b>	<b>489,488</b>
Books and journals	1,006	459
License and memberships	5,902	12,851
Education and training	59,066	47,735
Liability insurance	38,833	37,880
<b>TOTAL STAFF SUPPORT</b>	<b>104,807</b>	<b>98,925</b>
Materials	3,473	3,280
Medical supplies	820	866
<b>TOTAL PROFESSIONAL SUPPLIES</b>	<b>4,293</b>	<b>4,146</b>
Patient activities	72,279	54,089
<b>TOTAL TRANSITIONAL</b>	<b>72,279</b>	<b>54,089</b>

Data processing services	20,215	27,430
Data processing supplies/equipment	34,329	92,765
Data processing maintenance	23,350	39,721
<b>TOTAL DATA PROCESSING</b>	<b>77,894</b>	<b>159,916</b>
Gas and oil	11,643	10,923
Maintenance	11,605	10,154
Insurance	9,892	11,175
<b>TOTAL AUTO EXPENSE</b>	<b>33,140</b>	<b>32,252</b>
Advertising	24,903	16,363
Miscellaneous	1,436	1,705
Board of directors	1,635	2,436
Loss on sale of assets	-	-
<b>TOTAL OTHER EXPENSES</b>	<b>27,974</b>	<b>20,504</b>
Building	-	-
Land	-	-
Automobiles	28,106	-
Equipment	-	-
CIP	-	-
<b>TOTAL CAPITAL OUTLAY</b>	<b>28,106</b>	<b>-</b>
<b>TOTAL EXPENDITURES BEFORE ADJUSTMENT</b>	<b>6,252,249</b>	<b>5,780,618</b>
Less: Total capital outlay	(28,106)	-
Plus: Depreciation	187,506	193,092
<b>TOTAL EXPENDITURES</b>	<b>6,411,649</b>	<b>5,973,710</b>
<b>NET INCOME</b>	<b>\$ 173,044</b>	<b>\$ 366,215</b>



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Allred  
Jackson

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Governing Board  
Bear River Mental Health Services, Incorporated

We have audited the accompanying financial statements of Bear River Mental Health Services, Inc., a nonprofit organization (the Center) as of and for the year ended June 30, 2007, which collectively comprise the Center's basic financial statements and have issued our report thereon dated September 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Bear River Mental Health in a separate letter dated September 21, 2007.

This report is intended solely for the information and use of the audit committee, management, and various audit agencies and is not intended to be and should not be used by anyone other than those specified parties.

Peterson Allred Jackson

September 21, 2007



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## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

Governing Board  
Bear River Mental Health Services, Inc.

We have audited the financial statements of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), as of and for the year ended June 30, 2007, and have issued our report thereon dated September 21, 2007. As part of our audit, we have audited the Center's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2007. The Center received the following major State assistance programs from the State of Utah:

### **State Mental Health Contract Grants**

The Center also received the following nonmajor grants, which are not required to be audited for specific compliance requirements,: (However, these programs were subject to test work as part of the audit of the Center's financial statements.)

Juvenile Court (Administrative Office of the Courts)  
Competency Exams  
PASRR

The management of the Center is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Bear River Mental Health Services, Inc., complied, in all material respects, with the requirements governing types of services allowed or unallowed, eligibility; matching, level of effort, or earmarking; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2007.

Peterson Allred Jackson

September 21, 2007





Peterson  
Allred  
Jackson

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Business Consultants

September 21, 2007

Governing Board  
Bear River Mental Health Services, Inc.

To the Board:

In planning and performing our audit of the financial statements of Bear River Mental Health Services, Inc. (the Center) as of and for the year ending June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be a material weaknesses, as defined above.

#### **CURRENT YEAR FINDING**

No findings in the current year.

## PRIOR YEAR FINDING

Finding: *Billing submission.* The mental health contract specifies that monthly billings be submitted by the 30<sup>th</sup> of the following month. During the year, five reports were submitted late.

Recommendation: Submit all billings to the State by the 30<sup>th</sup> of the following month.

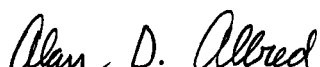
Management response: This has very little impact on our business. We will try to be in compliance in the future.

Status: Since the date of the audit finding last year, all billings have been submitted by the required date.

In conclusion, we wish to recognize the Executive Committee, Board of Directors, and Oversight Committee for the excellent supervision given in behalf of Bear River Mental Health Services, Inc. and Robert B. Johnson, Business Manager, who have been most cooperative in assisting us in accomplishing the audit of the 2007 fiscal year. We appreciate the assistance and cooperation of the entire staff of the Center. The performance of the Bear River Mental Health Services, Inc., fiscal year audit has been an enjoyable experience for us and we would like to thank the Center for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON



Alan D. Allred, CPA